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Judge Rejects Capital One Settlement – Will You Still Receive a Payout?

360 Savings account holders who were expecting a payout will have to wait longer, but they may end up getting a bigger check.

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Key Takeaways

- A federal judge rejected Capital One's \$425 million settlement on Nov. 6, saying it didn't fairly compensate affected customers.
- Millions of Capital One 360 Savings account holders would have received payouts as compensation for potential interest they missed out on.
- Those expecting to receive payouts could end up getting a larger check, but they also could end up empty-handed.

Millions of current and former [Capital One customers expecting to receive settlement payments](#) in the coming months got a surprise Thursday when a federal judge rejected the \$425 million deal, saying the payout didn't fairly compensate account holders and accusing the bank of continuing to deceive depositors.

The ruling by Judge David Novak of the Eastern District of Virginia, which came at what was expected to be the final stage of the case, now sends both parties back to the negotiating table. If they can't agree to a new deal, the case would go to trial in July 2026.

It sets up a scenario where affected customers could end up receiving more money – or none at all.

The settlement was meant to resolve a lawsuit that accused [Capital One](#) of creating two similarly named savings accounts – 360 Savings and 360 Performance Savings – that paid substantially different interest rates and leaving customers in the dark about which account they held. Plaintiffs said the resulting confusion caused customers to lose millions in potential interest.

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When the 360 Performance Savings account was launched in 2019 as essentially the successor to the legacy 360 Savings account, it offered a 1.9% interest rate vs. the 1% yield that the older product paid out, according to claims. The lawsuit argues that from that point the rates went in dramatically opposite directions, with the old 360 Savings account dropping to 0.3% annual percentage yield while the rate on the newer offering rose as high as 4.35% APY. Capital One is also accused of taking steps to make sure customers didn't know they could be earning a much higher rate by switching accounts.

Three major lawsuits have been filed against Capital One over its savings products. The Consumer Financial Protection Bureau sued the bank in January but later dropped the suit following a leadership change when President Donald Trump returned to the White House. A [lawsuit brought by New York Attorney General Letitia James](#) requesting compensation for affected New York customers is still pending.

In June, Capital One agreed to a pay \$425 million to settle the Virginia case. As part of that deal, the bank would have paid \$300 million to account holders for interest they missed out on. Another \$125 million would have gone toward elevated future interest payments for customers who still hold 360 Savings accounts.

Beginning in August, notices went out to customers who were in line to receive payouts. If the settlement had been approved, recipients would have started getting the money in the next couple of months.

But Judge Novak blasted the agreement as "neither reasonable nor adequate." He said the deal would likely only compensate account holders for less than 10% of the potential interest they lost. He also noted that Capital One continues to pay a lower rate to 360 Savings customers and argued that the bank still hasn't made proper efforts to notify savers that they could switch accounts and earn a higher rate.

He said the settlement notice didn't make it clear to customers that many still have accounts that earn a fraction of the interest rate they could be earning. He also referred to an email Capital One presented as evidence that the bank was informing account holders of the higher-yielding savings account. Novak argued the email, titled "Earn a higher APY with a new account today," was disguised as advertising rather than a notification.

"That email reads like a marketing pitch to open a new account, not to convert an existing, low-interest account into a vastly superior (but otherwise identical) account," said Novak in his ruling.

About three-fourths of affected customers still have the lower-paying account, according to court documents.

►► **Read:** [How to Switch Banks: A Step-by-Step Guide.](#)

Was the Rejection a Surprise?

The 11th-hour denial upended a settlement that many legal experts expected would be approved. Courts rarely denied class-action settlements in the past, but rejections are becoming more common in recent years, says Eric Chaffee, a business law professor at Case Western Reserve University's School of Law.

"Judge Novak's decision fits within that growing trend of judges taking a harder look at settlements they view as unfair to class members," says Chaffee.

Attorneys general from 18 states weighed in with objections to the settlement, and that type of high-profile input likely played a role in the judge's taking a closer look at the case.

"When you have a lot of serious government lawyers and government agencies all lining up against the settlement, it's going to draw more scrutiny than it would if you had a handful of dissident class members objecting to the settlement," says Ira M. Steinberg, a partner at Greenberg Glusker who specializes in commercial and business litigation.

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Will You Still Get Settlement Money From Capital One?

The judge's ruling leaves open several possibilities for what happens next. Experts say the most likely outcome is that both parties renegotiate and come up with a new settlement that satisfies the court's concerns. That could mean more money for affected account holders. However, there's also a chance the rejection could leave class members empty-handed if it goes to trial.

"There is an inherent tension between pursuing justice and securing benefits for harmed parties," says Chaffee. "The quest for a perfect outcome risks leaving plaintiffs with nothing if the litigation ultimately fails."

Steinberg says he believes affected customers will ultimately benefit financially from the decision, as long as they're willing to wait longer.

"It depends whether you want some money now or more money later," says Steinberg. "I think the settlement will be better for class members from a monetary level, but this sets things back and they'll have to start again."

The judge's criticism of the settlement notices could indicate additional delays even if a deal is reached relatively soon. That's because a new agreement may require new, reworded notices to be sent back out to class members.

"It's not just that they're going to have to start over on the substantive terms of the settlement and how much compensation the class members get," Steinberg says. "They may have to start over again on giving notice."

Steinberg says that although a trial is theoretically possible, he doubts it will come to that.

"I think that's extremely unlikely in this case," says Steinberg. "Given how much effort went into producing this settlement, that tells you that neither side really wants to go to trial if they can avoid it and both want to reach an accommodation."

Tags: banking, Capital One

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